

Message Text

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ORIGIN EB-08

INFO OCT-01 EA-10 ISO-00 AGRE-00 SP-02 ICA-11 AID-05
NSC-05 TRSE-00 SS-15 STR-07 OMB-01 CEA-01 CIAE-00
COME-00 FRB-03 INR-10 NSAE-00 XMB-02 OPIC-03
LAB-04 SIL-01 DODE-00 PM-05 H-01 L-03 PA-01 /099 R

DRAFTED BY USDA:RSCHROETER:EB/OT/TA:JRCUNNINGHAM:PRM
APPROVED BY EB/ITP:WBARRACLOUGH
STR:WBARREDA
EA/J:RKILPATRICK
USDA:TSAYLOR
USDA:LHALL
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FM SECSTATE WASHDC
TO AMEMBASSY TOKYO

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E.O. 11652:N/A

TAGS: ETRD, EAGR, JA

SUBJECT: PROPOSED JAPANESE SURPLUS RICE DISPOSAL PROGRAM

REF: TOKYO 11311

1. WE ARE SERIOUSLY CONCERNED ABOUT JAPANESE CONSIDERATION
OF A RICE DISPOSAL PROGRAM WHICH WOULD ENCOURAGE USE OF
SUBSIDIZED RICE IN MIXED FEED AND BY INDUSTRY (I.E. ALCOHOL,
STARCHES) AS A SUBSTITUTE FOR IMPORTED COARSE GRAINS. THE
PROGRAM REPORTEDLY WOULD INVOLVE DISPOSAL OVER A 3 YEAR
PERIOD OF 60 PERCENT OF SURPLUS NOW IN EXCESS OF 3 MILLION
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TONS AND GROWING. THIS OBVIOUSLY WOULD HAVE SERIOUS AD-
VERSE IMPACT ON US FEED GRAIN EXPORTS OVER THE SAME PERIOD.
WHILE US RECOGNIZES DOMESTIC JAPANESE SENSITIVITY REGARDING
THEIR RICE POLICY, OUR CONCERN IS WITH LEGITIMATE US EXPORT
INTERESTS, WHICH WE INTEND TO DEFEND VIGOROUSLY, AND THE
EFFECT OF TRANSFERRING THE BURDEN OF ADJUSTMENT TO OTHER
COUNTRIES.

2. ON AUGUST 8 ASSISTANT SECRETARY OF AGRICULTURE HATHAWAY STRONGLY EXPRESSED US CONCERNS TO DIET MEMBER HIGAKI WHO CONFIRMED THAT THE PROGRAM IS IN THE PLANNING STAGES. HE SAID US CONCERNS WOULD BE CONSIDERED. AS A SECOND STEP THE

EMBASSY IS REQUESTED TO MAKE APPROPRIATE REPRESENTATIONS TO THE GOJ AND STATE THAT WE WILL DISCUSS THE SUBJECT WITH MINISTER NAKAGAWA WHEN HE VISITS WASHINGTON NEXT MONTH.

3. IN MAKING YOUR REPRESENTATION YOU SHOULD DRAW ON THE FOLLOWING INFORMATION: A) THE US CURRENTLY SUPPLIES OVER 60 PERCENT OF COARSE GRAINS IN WORLD TRADE. THUS THE DISPLACEMENT OF SUCH GRAINS WOULD NECESSARILY IMPACT MOST HEAVILY ON THE U.S. B) FEEDGRAINS ARE THE LARGEST SINGLE US EXPORT TO JAPAN. IN 1977/78 OUR EXPORTS WERE OVER 10 MILLION TONS WITH A TRADE VALUE IN EXCESS OF \$1 BILLION. C) US FEEDGRAIN EXPORTS TO JAPAN HAVE INCREASED OVER 30 PERCENT DURING THE LAST 4 YEARS. BASED ON HISTORIC PATTERNS AND IN THE ABSENCE OF IMPORT RESTRICTIONS OR DISPLACEMENT MEASURES WE WOULD EXPECT THIS RATE OF GROWTH TO ACCELERATE. D) UNLESS ACCOMPANIED BY A PROGRAM AIMED AT ACCELERATING RATE OF GROWTH OF TOTAL DEMAND FOR COARSE GRAINS, SUBSTITUTION OF DOMESTIC PRODUCTION FOR IMPORTS WILL UNDERMINE JAPANESE EFFORTS TO INCREASE IMPORTS. WE DO NOT BELIEVE THIS IS CONSISTENT WITH GOJ STATEMENTS THAT IT IS THEIR INTENT TO REDUCE THEIR CURRENT LIMITED OFFICIAL USE

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ACCOUNT SURPLUS.

4. WE WOULD APPRECIATE YOUR READING OF THIS VERY SERIOUS SITUATION AS WELL AS A REPORT ON THE RESULTS OF YOUR DISCUSSIONS WITH THE GOJ. CHRISTOPHER

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